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Sales Trends in Price-Discounted Cigarettes, Large Cigars, Little Cigars, and Cigarillos—United States, 2011–2016

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Abstract

Introduction—Tobacco manufacturers continue to implement a range of pricing strategies to increase the affordability and consumption of tobacco products. To demonstrate the extent of retail- and brand-level price discounts at the point of sale, this study assessed national sales trends in price-discounted cigarettes, large cigars, little cigars, and cigarillos.

Methods—Retail scanner data for tobacco product sales were obtained for convenience stores (C-store) and all-other-outlets-combined (AOC) from September 25, 2011, to January 9, 2016. The proportion of price-discounted sales, average nondiscounted unit price, and average discounted unit price were examined by product category and brand. JoinPoint regression was used to assess average monthly percentage change.

Results—Overall, price-discounted sales accounted for 11.3% of cigarette, 3.4% of large cigar, 4.1% of little cigar, and 3.9% of cigarillo sales. The average difference between nondiscounted and discounted prices was 25.5% (C-store) and 36.7% (AOC) for cigarettes; 11.0% (C-store) and 11.2% (AOC) for large cigars; 19.2% (C-store) and 9.6% (AOC) for little cigars; and 5.3% (C-store) and 14.7% (AOC) for cigarillos. Furthermore, price-discounted sales of top-selling tobacco brands comprised up to 36% of cigarette, 7.4% of large cigar, 7.7% of little cigar, and 4.2% of cigarillo unit sales.

Conclusions—These findings highlight the use of price discounts by tobacco manufacturers to reduce the cost of cigarettes, large cigars, little cigars, and cigarillos to consumers. These sales patterns underscore the importance of sustained efforts to implement evidence-based strategies to

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Declaration of Interests

None declared.

increase prices and reduce availability and consumption of combustible tobacco in the United States.

Implications—This study highlights the prevalence and provides a baseline of price-discounted cigarettes, large cigars, little cigars, and cigarillos. Surveillance of tobacco sales data, including state-level trends and additional product types, is critical for informing approaches to reduce tobacco consumption. These approaches include countering tobacco product price-discounting practices and raising and maintaining a high sales price for all tobacco products. The implementation of evidence-based population-level interventions, together with local, state, and federal regulation of tobacco products, could prevent tobacco initiation, increase tobacco cessation, and reduce overall tobacco use among US youth and adults.

Introduction

Combustible tobacco products, including cigarettes and cigars, are overwhelmingly responsible for the burden of death and disease from tobacco use.[1] Cigarettes remain the first and second most commonly used tobacco product among US adults and youth, respectively.[2,3] Although cigarette consumption continues to decline, consumption of cigars and other non-cigarette tobacco products has increased in recent years.[4,5]

Increasing the price of tobacco products is the most effective intervention to reduce tobacco consumption.[1,6] The tobacco industry has countered this strategy, however, by implementing merchandising tactics to reduce tobacco prices.[7–9] For instance, the largest advertising and promotional expense of major US cigarette manufacturers is for price or trade discounts. In 2014, tobacco companies spent more than $6.7 billion on discounts to reduce the price of cigarettes, accounting for 79.7% of total cigarette advertising and promotional expenses.[10]

To examine the impact of tobacco product price discounts at the point of sale, previous studies have relied on observational evidence[11–13] and self-reported purchasing behaviors.[14–16] Although retail scanner data have been used to assess trends in tobacco product sales volumes and prices,[17–19] analyses of price discounts are limited.[20,21] In 2006, Loomis et al.[20,21] examined the point of sale cigarette price discounts before and after the 1998 Master Settlement Agreement, demonstrating that sales trends can help guide tobacco control policy, planning, and practice.

No study has comprehensively explored national sales trends in price-discounted cigarettes and cigar subtypes across multiple retail channels. To address this gap, national retail scanner data from September 2011 to January 2016 were analyzed for product and brand-level unit sales of price-discounted cigarettes, large cigars, little cigars, and cigarillos.

Methods

Data Source

Universal Product Code (UPC) data on national cigarette, large cigar, little cigar, and cigarillo retail sales were acquired from The Nielsen Company (Nielsen) for two mutually exclusive retail channel categories: convenience stores (C-store) and all-other-outlets-combined (AOC). C-stores included franchise, chain, and independent C-stores that may or

may not sell gasoline. AOCs included supermarkets, drug stores, mass merchandisers, dollar stores, club stores, and US Defense Commissary Agency commissaries. UPC data were provided in 4-week aggregates (ie, each period represents 4 weeks of sales) starting with the 4-week period beginning September 25, 2011 and concluding with the 4-week period ending January 9, 2016. Dollars were adjusted for inflation and represent real 2015 dollars.[22] Nielsen national estimates do not include Alaska and Hawaii due to lack of sufficient data.

Measures

Unit Sales—Unit sales were standardized by one pack of 20 cigarettes, one large cigar, one pack of 20 little cigars, and one pack of 2 cigarillos. Standardized prices by product type were calculated by dividing inflation-adjusted dollar sales by standardized unit sales.

Price-Discounted Sales—UPC sales were designated as price-discounted if sold under a temporary price reduction, defined by Nielsen as having a price below 95% of the UPC's regular price for a period of less than 7 weeks. If held for 7 consecutive weeks, the temporary price reduction was no longer designated as price-discounted and became the regular sale price. Additionally, unit product sales were considered price-discounted if a UPC's description contained a price reduction or a free-gift indicator, such as "PR$1.20" (reduction of $1.20) or "W/LGHT" (included free lighter).

Analysis

JoinPoint regression was used to assess significant ($p < .05$) changes in product-level sales trends.[23] For each tobacco product and retail channel, the average monthly percent change (AMPC) over the whole trend was evaluated for the average percentage of units sold under price discounts, the nondiscounted average unit price, and the discounted average unit price. Additionally, the average percentage difference in nondiscounted and discounted prices was calculated.

Trends in price-discounted sales by the top-selling tobacco manufacturers and their respective brands were also evaluated. Brand sales were measured by combining sales of all relevant sub-brands; for example, the Camel brand contained Camel Crush, Camel Turkish Royal, Camel Turkish Gold, Camel Turkish Jade, Camel Turkish Silver, Camel 99s, Camel Exotic Blends, Camel Signature, Camel No. 9, Camel Wides, and Camel Blue sub-brands. For cigarettes, unit sales of the top-selling brands were analyzed by "premium" and "generic" groupings (Nielsen designations). As premium/generic designations were not provided for cigars, unit sales were used to identify the top two cigar manufacturers by cigar sub-type.

Results

Price Discounts by Retail Channel

C-stores—Between September 2011 and January 2016, the average percentage of price-discounted tobacco sales in C-stores was 14.0% for cigarettes, 5.6% for large cigars, 4.5% for little cigars, and 4.1% for cigarillos (Table 1). The average price difference between nondiscounted and discounted tobacco product prices was 25.5% for cigarettes, 11.0% for

large cigars, 19.2% for little cigars, and 5.3% for cigarillos. Over time, price-discounted sales significantly decreased for C-store large cigars (AMPC: −4.1%) and cigarillos (AMPC: −2.3%). Furthermore, the average nondiscounted price significantly decreased for C-store large cigars (AMPC: −0.1%) and cigarillos (AMPC: −0.7%).

AOCs—In AOCs, the average percentage of price-discounted tobacco sales was 8.5% for cigarettes, 1.9% for large cigars, 3.8% for little cigars, and 3.7% for cigarillos (Table 1). Furthermore, price-discounted sales significantly decreased for AOC little cigars (AMPC: −2.0%). The average price difference between nondiscounted and discounted tobacco product prices was 36.7% for cigarettes, 11.2% for large cigars, 4.1% for little cigars, and 3.7% for cigarillos. AOC cigarillos were the only product to significantly decrease in average discounted price (AMPC: −0.9%). In contrast, the average nondiscounted price significantly decreased for AOC cigarettes (AMPC: −0.2%), little cigars (AMPC: −0.4%), cigarillos (AMPC: −0.6%).

Price Discounts by Brand

During this period, the top-selling cigarette manufacturers were Altria Group Inc. and Reynolds America Inc. (Table 2). Within these manufacturers, the top brands by market share of unit sales included Marlboro (45.8%), Newport (10.8%), and Camel (8.9%). Moreover, 36.0% of Camel, 10.5% of Newport, and 9.2% of Marlboro cigarette sales were price-discounted.

For large cigars, the top-selling manufacturers were Imperial Tobacco Group PLC and Swisher International Inc. Within these manufacturers, the top brands by market share were Swisher Sweets (32.1%), Backwoods (20.9%), Dutch Masters (18.5%), and King Edward (0.3%). Additionally, 7.4% of Dutch Masters, 6.5% of Swisher Sweets, 3.0% of Backwoods, and 1.5% of King Edward large cigar sales were price-discounted.

For little cigars, the top-selling little cigar manufacturers were Cheyenne International LLC and Swisher International Inc. Within these manufacturers, the top brands by market share were Cheyenne (25.9%), Swisher Sweets (11.8%), Santa Fe (3.9%), and Derringer (0.5%). Moreover, 7.7% of Cheyenne, 4.0% of Santa Fe, 3.8% of Derringer, and 2.6% of Swisher Sweets little cigar sales were price-discounted.

For cigarillos, the top-selling manufacturers were Altria Group Inc. and Swisher International Inc. Within these manufacturers, the top brands by market share were Swisher Sweets (36.0%), Middleton (30.4%), Pom Pom (1.0%), and Royal Comfort (0.2%). Furthermore, 4.2% of Swisher Sweets, 4.0% of Pom Pom, 2.9% of Middleton, and 1.2% of Royal Comfort cigarillo sales were price-discounted.

Discussion

From September 2011 to January 2016, total cigarette pack sales outpaced total cigar sales by a ratio of 5.8 to 1. Of those total sales, price discounts accounted for 11.3% of cigarette, 4.1% of little cigar, 3.9% of cigarillo, and 3.4% of large cigar sales in AOCs and C-stores combined. Furthermore, top-selling tobacco brands discounted on average up to 36.0% of

cigarette, 7.7% of little cigar, 7.4% of large cigar, and 4.2% of cigarillo sales. Given the burden of combustible tobacco use on public health, these findings underscore the importance of evidence-based strategies to increase price, thereby reducing the availability and consumption of combustible tobacco in the US.[1,6]

Studies have consistently shown that tobacco manufacturers implement pricing strategies to increase the affordability of cigarettes, including price-related discounts and lower-priced generic brands.[9,24] This is the first study, however, to demonstrate the extent of retail- and brand-level price discounts at the point of sale. On average, temporary price reductions lowered the price of cigarettes by more than one-fourth in C-stores and one-third in AOCs. Moreover, the proportion of price-discounted cigarette sales was higher for premium cigarette brands than generic brands. This variability in price-discounted cigarette sales aligns with data indicating that more cigarette smokers use premium brands and discounted product use is most common among premium brand users.[25] Accordingly, sustained population-level strategies to prohibit cigarette discounting,[1,6] particularly for premium brands, could help reduce tobacco consumption.

The US cigarette smokers can avoid the high cost of cigarettes by switching to lower-priced cigar subtypes.[17] Given the declining trend in discounted and nondiscounted cigarillo prices, it is notable that one-fifth of little cigars and nearly half of all cigarillos sold in the United States during 2011–2016 were flavored, whereas total and flavored cigarillo sales increased.[26] Because flavors can mask the harshness of tobacco,[27,28] they can increase the likelihood of tobacco uptake, particularly among youth.[18,29] The decreasing price of non-cigarette tobacco products, combined with the availability of flavored options, suggests that strategies that restrict flavored tobacco product sales and reduce tobacco product price differentials could be effective in reducing tobacco initiation and promoting cessation.

Sustained increases in federal, state, and local excise taxes on tobacco have been consistently shown to promote cessation among current users, prevent initiation among nonusers, and reduce tobacco consumption.[6,30–33] Currently, federal and state excise taxes are disproportionately lower for cigars than for cigarettes.[34] Our findings indicate that the average price of a cigarette pack costs 6.0 times more than a single large cigar, 4.3 times more than a pack of 2 cigarillos, and 2.5 times more than a pack of 20 little cigars. These imbalances may have contributed to the recent increase in adult cigar consumption.[4] Furthermore, the generally lower price point for cigars than for cigarettes could explain the gap between discount marketing patterns of these two tobacco categories. However, this study demonstrates that even a subset of nondiscounted tobacco products have become more affordable over time; this finding could be suggestive of shifting industry strategies and warrants further study to determine potential implications for public health research and practice. Efforts to eliminate the tax disparities across all tobacco product types could help reduce the number of smokers who switch to lower-priced products resulting from manufacturer discounts and/or lower excise taxes. To counteract price-reducing strategies at each level of distribution (ie, manufacturer, wholesaler, and retailer), states and localities can also consider pursuing various nontax price policies, such as enacting strict minimum price laws and regulating discounting mechanisms.[35,36] Minimum price laws may also be better equipped than cigarette excise taxes in reducing socioeconomic disparities in tobacco use.[36]

Localities such as New York City, New York, and Providence, Rhode Island, have implemented minimum price laws, prohibited the redemption of coupons, and prohibited multipack discounts.[37,38]

This study has some limitations. First, Nielsen's projection methods are proprietary; however, these data are widely used in academic and marketing research and resemble estimates by other entities, including the US Treasury. Second, the results are representative of only those store types monitored by Nielsen, which excludes tobacco specialty shops, smaller retailers without scanners, and online sales. Third, because consumer redemption of price-reducing coupons is not tracked by Nielsen, the market share of price-discounted sales is likely understated. Finally, Nielsen's national-level data aggregate sales over regions and cities where the same UPC can have different price points; moreover, it was not possible to account for geographic variations in the JoinPoint analysis. This may result in the average discounted price being greater than the average nondiscounted price, especially at the brand level. Future studies can examine subnational discounting patterns and how they may vary in the context of different state-level tax and price policies. Monitoring how a brand's discounting patterns change upon acquisition by a new manufacturer, as well as discounting patterns by broader packaging categories (eg, carton vs. pack), can also help to understand the discounting landscape.

These findings highlight the prevalence and provide a baseline of price-discounted cigarettes, large cigars, little cigars, and cigarillos. Surveillance of tobacco sales data, including state-level trends and additional product types, is critical for informing approaches to reduce tobacco consumption. These approaches include countering tobacco product price-discounting practices and raising and maintaining a high sales price for all tobacco products. The implementation of evidence-based population-level interventions, together with local, state, and federal regulation of tobacco products, could prevent tobacco initiation, increase tobacco cessation, and reduce overall tobacco use among US youth and adults.[1]

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Table 1

Sales Trends in Price-Discounted Cigarettes, Large Cigars, Little Cigars, and Cigarillos, by Product and Retail Channel—United States, 2011–2016[a]

Product and channel	Percentage discounted (%)	Nondiscounted price ($)[e]	Discounted price ($)	Price difference (%)
Cigarettes				
C-Store[b]	14.0	6.50	5.03	25.5
(AMPC)	(−0.6)[d]	(0.0)	(0.1)	
AOC[c]	8.5	7.23	4.99	36.7
(AMPC)	(−1.0)	(−0.2*)	(0.1)	
Large cigars				
C-Store	5.6	1.15	1.03	11.0
(AMPC)	(−4.1*)	(−0.1*)	(−0.1)	
AOC	1.9	1.13	1.01	11.2
(AMPC)	(0.1)	(0.0)	(1.1)	
Little cigars				
C-Store	4.5	2.97	2.45	19.2
(AMPC)	(−0.4)	(0.0)	(−0.1)	
AOC	3.8	2.51	2.28	9.6
(AMPC)	(−2.0*)	(−0.4*)	(0.2)	
Cigarillos				
C-Store	4.1	1.55	1.47	5.3
(AMPC)	(−2.3*)	(−0.7*)	(−0.1)	
AOC	3.7	1.61	1.39	14.7
(AMPC)	(−2.1)	(−0.6*)	(−0.9*)	

*Denotes an AMPC significantly different from zero at alpha = 0.05.

[a]Sales from September 25, 2011—January 9, 2016.

[b]Convenience stores.

[c]All other outlets combined.

[d]Parentheses indicate values for the Average Monthly Percent Change (AMPC), which coincide with each 4-week period between September 25, 2011 to January 9, 2016.

[e]Unit sales standardized by one pack of 20 cigarettes, one large cigar, one pack of 20 little cigars, and one pack of two cigarillos.

Table 2

Sales Trends in Price-Discounted Cigarettes, Large Cigars, Little Cigars, and Cigarillos, by Brand and Combined Retail Channels—United States, 2011–2016[a]

Manufacturer	Top-selling brands	Market share (%)[b]	Percentage discounted (%)	Nondiscounted price ($)[c]	Discounted price ($)[c]	Price difference (%)
Cigarettes						
Altria Group Inc. Premium[d]	Marlboro	45.8	9.2	5.63	5.05	10.9
	L&M	4.8	6.7	4.41	4.13	6.6
Altria Group Inc. Generic	Basic	0.4	2.6	6.05	4.95	20.0
	Saratoga	<0.01	2.2	6.68	6.51	2.6
Reynolds American Inc. Premium	Newport	10.8	10.5	6.14	6.37	3.7
	Camel	8.9	36.0	5.76	5.06	12.9
Reynolds American Inc. Generic	Doral	0.7	3.8	4.46	4.19	6.2
	Misty	0.8	3.1	5.28	4.82	9.1
Large cigars						
Imperial Tobacco Group PLC	Backwoods	20.9	3.0	1.11	1.01	9.4
	Dutch Masters	18.5	7.4	1.55	1.15	29.6
Swisher International Inc.	Swisher Sweets	32.1	6.5	0.88	0.75	16.0
	King Edward	0.3	1.5	0.84	0.65	25.5
Little cigars						
Cheyenne International LLC	Cheyenne	25.9	7.7	2.15	1.74	21.1
	Derringer	0.5	3.8	1.74	1.74	<0.1
Swisher International Inc.	Swisher Sweets	11.8	2.6	4.86	4.22	14.1
	Santa Fe	3.9	4.0	2.31	1.79	25.4
Cigarillos						
Altria Group Inc.	Middleton[e]	30.4	2.9	1.90	2.10	10.0
	Royal Comfort	0.2	1.2	1.05	0.76	32.0
Swisher International Inc.	Swisher Sweets	36.0	4.2	1.35	1.37	1.5
	Pom Pom	1.0	4.0	0.89	1.23	32.1

[a]Sales from September 25, 2011—January 9, 2016.

[b]Cigarette market shares calculated by dividing brand units by total cigarette units; cigar market shares calculated by dividing brand units by total respective cigar product units (eg, Backwoods units/total large cigar units).

[c] Unit sales standardized by one pack of 20 cigarettes, one large cigar, one pack of 20 little cigars, and one pack of two cigarillos.

[d] Premium/Generic brand designations provided by Nielsen for cigarettes; not available for cigars.

[e] Black & Mild brand cigars comprise the majority of Middleton sales.